



Republic of Namibia

Financial Intelligence Centre

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THIRD QUARTERLY REPORT
OCTOBER – DECEMBER 2020
ISSUED: FEBRUARY 2021

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1. ACRONYMS

| | | |
|-------------------------|---|--|
| ADLAs | - | Authorized Dealers with Limited Authority |
| AML/CFT & PF | - | Anti-Money Laundering/ Counter Terrorist Financing and Proliferation financing |
| AI | - | Accountable Institution as provided in Schedule 1 of FIA |
| FATF | - | Financial Action Task Force |
| FIA | - | Financial Intelligence Act, 2012 (Act No. 13 of 2012) as amended |
| FIC | - | The Financial Intelligence Centre |
| LEAs | - | Law Enforcement Agencies |
| RI | - | Reporting Institution as provided in Schedule 3 of the FIA |

2. DEFINITIONS

Money laundering (ML): Generally, refers to the act of disguising the true source of proceeds generated from unlawful activities and presenting such in the financial system as sourced from legitimate activities. However, in terms of the Prevention of Organized Crime Act, 2004, as amended (POCA), the definition of ML is broad enough to include engagement, acquisition and concealment of proceeds of crime whether directly or indirectly;

Proliferation financing (PF) “the act of providing funds or financial services which are used, in whole or in part, for the manufacture, acquisition, possession, development, export, trans-shipment, brokering, transport, transfer, stockpiling or use of nuclear, chemical or biological weapons and their means of delivery and related materials (including both technologies and dual use goods used for non-legitimate purposes), in contravention of national laws or, where applicable, international obligations.”¹

Terrorist financing (TF) includes “acts which are aimed at directly or indirectly providing or collecting funds with the intention that such funds should be used, or with the knowledge that such funds are to be used, in full or in part, to carry out any act of terrorism as defined in the Organization for African Unity (OAU) Convention on the Prevention and Combating of Terrorism of 1999, irrespective of whether or not the funds are actually used for such purpose or to carry out such acts.”

¹ FATF Recommendation 7

3. INTRODUCTION

This is the third quarterly statistical report of the 2020/21 financial year issued by the Financial Intelligence Centre (FIC). It contains statistics on mandatory reports received from various stakeholders in terms of the Financial Intelligence Act, 2012 (Act No. 13 of 2012) as amended (FIA). The report is meant to communicate relevant statistics on the operation of Namibia's national Anti-Money Laundering, Combatting the Financing of Terrorism and Proliferation (AML/CFT/CPF) framework. The report thus speaks to the reporting behaviour of relevant stakeholders as per outcomes of reports forwarded to the FIC, amongst others. Importantly, the report highlights areas where all stakeholders, including the FIC, could improve on.

3.1 BACKGROUND AND PURPOSE

The FIC is Namibia's Financial Intelligence Unit (FIU) established in terms of FIA and is empowered to, amongst others, collect, request, receive and analyse suspicious reports relating to ML/TF/PF, and further share actionable intelligence obtained from such activities with identified stakeholders as per the FIA. These reports form part of a database which assists combatting efforts within the domains of local and international law enforcement agencies.

As far as compliance monitoring and supervision is concerned, the FIC has a duty to gain reasonable assurance that Accountable and Reporting Institutions as identified in the FIA have controls in place that minimise ML/TF/PF risks. This includes internal control processes that can detect suspicious activities and allow for timely reporting of same to the FIC. Compliance supervision of sectors normally commence with such sectors registering with the FIC as per the FIA. As at 31 December 2020, a total of **2,316² (two thousand, three hundred and sixteen)** Accountable and Reporting Institutions were registered with the FIC.

To gain assurance on the level of FIA compliance and thus effectiveness of ML/TF/PF risk mitigation within the regulated populace, the FIC conducts regular on-site and off-site assessments. Such assessments are followed by interventions such as guidance in the form of assessment reports and where need be, capacity building initiatives. If appropriate, enforcement interventions are also made to further enhance compliance. The FIC communicates compliance expectations in various ways including the issuing of formal Guidance Notes, Directives, Notices and Circulars to enhance compliance behaviour and increase awareness.

² The figure includes both active and non-active accountable and reporting institutions

3.2 APPLICATION

This quarterly report is directed to all Accountable and Reporting Institutions and other FIC stakeholders. Much of the information presented herein is sourced from quantitative data in the FIC’s domain. The report has been sanitized to minimize disclosure of sensitive and restricted material.

4. FINANCIAL INTELLIGENCE CENTRE: STATISTICS

4.1 OPERATIONAL ANALYSIS

The all sectors under FIC and NAMFISA AML/CFT/CPF supervision are responsible for filing reports such as Suspicious Transaction Reports (STRs); Suspicious Activity Reports (SARs); Cash Transaction Reports (CTRs) and Cross Border Movement of Cash Reports (CBMCRs) with the FIC. The graphs below show the volumes of various report types received from different sectors in the reporting period:

Chart 1: STRs received according to Agency Business Type (Sectors)

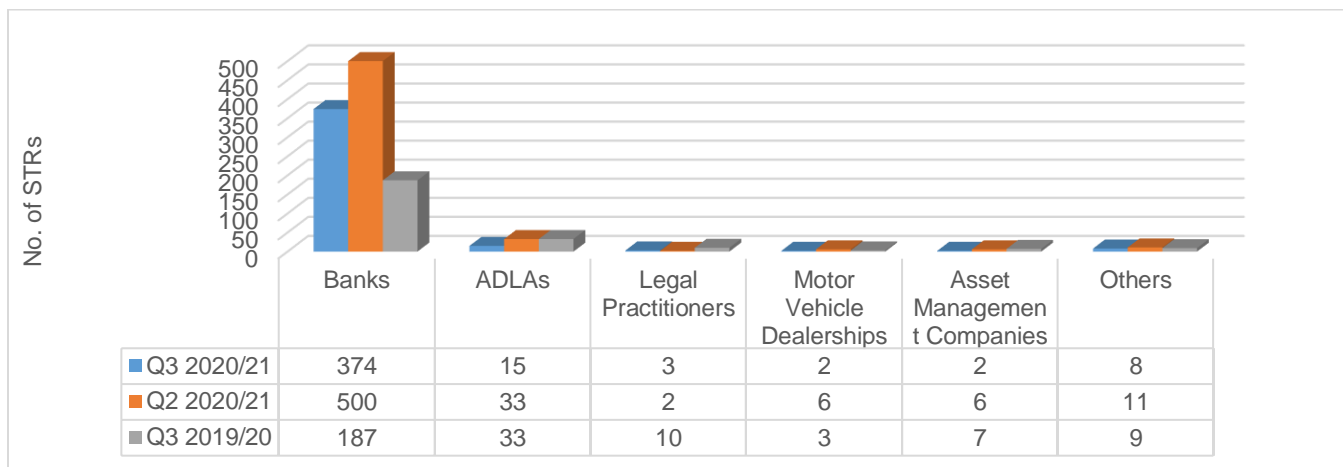


Chart 1 presents a summary of STRs filed by AIs and RIs during the period under review. The number of STRs decreased slightly to 404 STRs from 558 STRs received during the previous quarter, however such number increased significantly when compared to the same quarter of the 2019/20 fiscal year. Further, the banks continued to file the highest volume of STRs during the three quarters [at 87.6% (or 1,061 STRs)], followed by Authorized Dealers with Limited

Authority (ADLAs) who reported 6.7% (or 81 STRs) of such reports. Other sectors³ filed a combined total of 28 STRs.

Chart 2: SARs received by Agency Business Type (sectors)

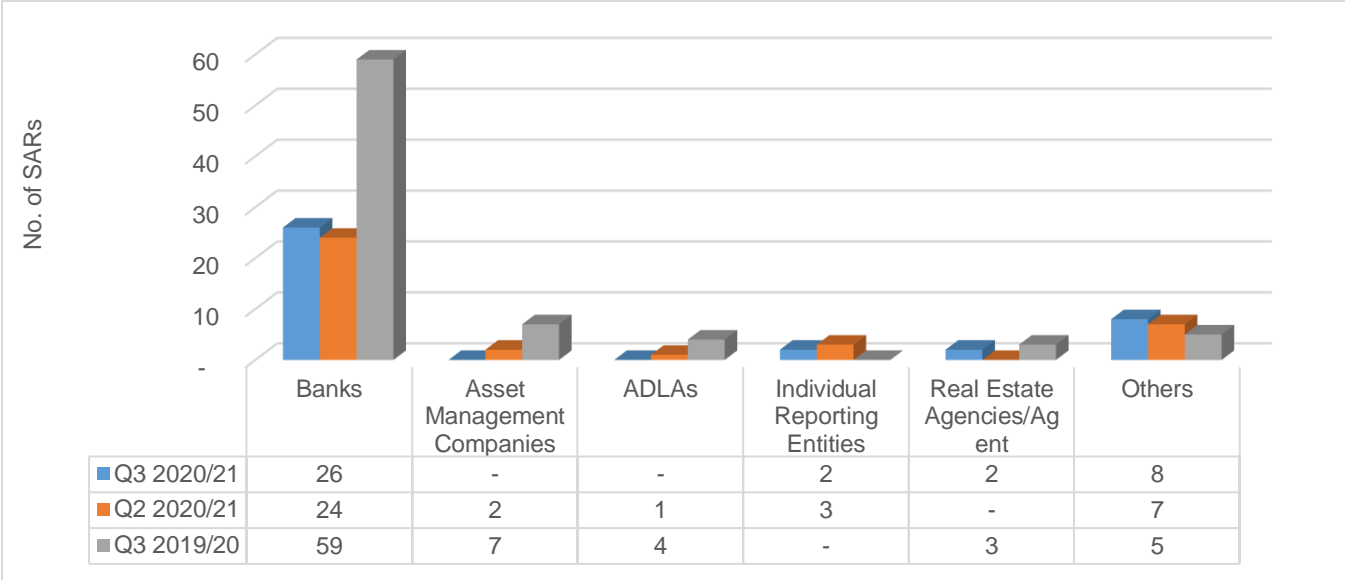


Chart 2 above presents a comparison of the volume of SARs received during the third quarter of the 2020/21 financial year with the previous quarter and the third quarter of the 2019/20 financial year. In this quarter, the FIC received a total of 38 SARs from Accountable and Reporting Institutions. Overall, during the three quarters, the banking sector filed 71.2% of the SARs, which is the highest amongst all sectors, followed by Asset Management Companies with 5.9%. Other sectors filed a total of 20 SARs.⁴

4.2 STRs AND SARs PRIORITIZATION FACTORS

When reports (STRs/SARs) are received, they are reviewed to determine the level of prioritization that needs to be accorded to each one of them. The FIC applies a risk-based approach in determining the level of prioritization per report received. Factors taken into consideration include, but are not limited to:

³ Other Sectors: Individual Reporting Entities; Unit Trust Schemes; Accountant Firms; Financial Intelligence Unit; Long Term Insurance Companies; Supervisory and Regulatory Bodies; Auctioneers; Short term Insurances; Trust and Loan Companies; Pension Fund Administrators; Government Institutions; Insurance/Investment Brokers and Real Estate Agencies/Agent.
⁴ Other Sectors: Legal Practitioners; Financial Intelligence Unit (FIU); Long Term Insurance Companies; Supervisory and Regulatory Bodies; Stockbrokers; Courier and Customs Clearing Agencies Law Enforcement Agencies; Foreign Financial Intelligence Units and Public Prosecutor.

- ✚ strategic priorities of Law Enforcement Agencies, which are informed by the risk areas identified in the National Risk Assessment (NRA) and other sources known ML/TF/PF indicators;
- ✚ watch lists (PEPs, sanctions list);
- ✚ prior reports on same subject/entity; and
- ✚ duplicate/erroneous filing.

Table 1: STRs filed vs STRs analysed

| | Q3 2020/21 | Q2 2020/21 | Q3 2019/20 |
|--|--------------|--------------|--------------|
| Case File Opened | 59 | 65 | 42 |
| Low Priority | 172 | 261 | 187 |
| Set-Aside | 12 | 0 | 1 |
| Under Cleansing | 161 | 232 | 19 |
| Grand Total | 404 | 558 | 249 |
| (%) of STRs escalated to LEAs = $\left(\frac{\text{Case File Opened}}{\text{Grand Total}}\right) \times 100$ | 14.6% | 11.6% | 16.7% |

In this quarter, the FIC analyzed 14.6% of STRs filed, an increase from 11.6% recorded during the previous quarter. The reports escalated for further analysis led to actionable intelligence being forwarded to relevant Law Enforcement Agencies and investigating authorities for further investigation.

At the time of reporting, a total of 161 STRs were still under cleansing⁵. It is further worth noting that a total of 172 STRs were accorded a “low priority” status due to various reasons. Below are some notable reasons for low prioritization:

- ✚ poor articulation of the grounds of suspicion in STRs filed;
- ✚ STRs reported instead of SARs or AIFs being reported. General lack of understanding;
- ✚ lack of Money Laundering, Terrorist Financing and Proliferation Financing indicators in the STRs filed;
- ✚ operational priority of law enforcement; and
- ✚ inadequate resources within the FIC.

⁵ Cleansing - a process of assessing reports submitted to FIC, in order to determine the way forward with such report.

Table 2: SARs filed vs SARs analysed

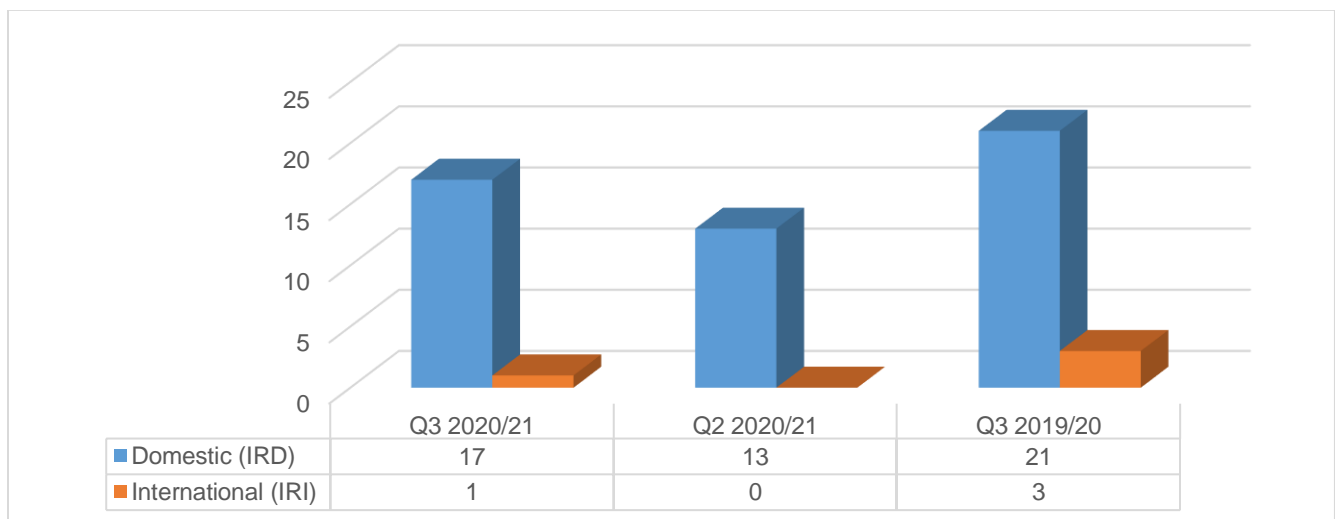
| | Q3 2020/21 | Q2 2020/21 | Q3 2019/20 |
|--|------------|------------|------------|
| Case File opened | 6 | 9 | 45 |
| Low Priority | 10 | 14 | 33 |
| Under Cleansing | 22 | 14 | 0 |
| Grand Total | 37 | 38 | 34 |
| (%) of SARs escalated to LEAs = $\left(\frac{\text{Case File Opened}}{\text{Grand Total}}\right) \times 100$ | 15.8% | 24.3% | 57.7% |

During the period under review, 15.8% of the SARs filed were escalated for further analysis. Further, a total of 22 SARs were still under cleansing and 10 SARs were accorded a “low priority” status.

4.3 LOCAL AND INTERNATIONAL COOPERATION

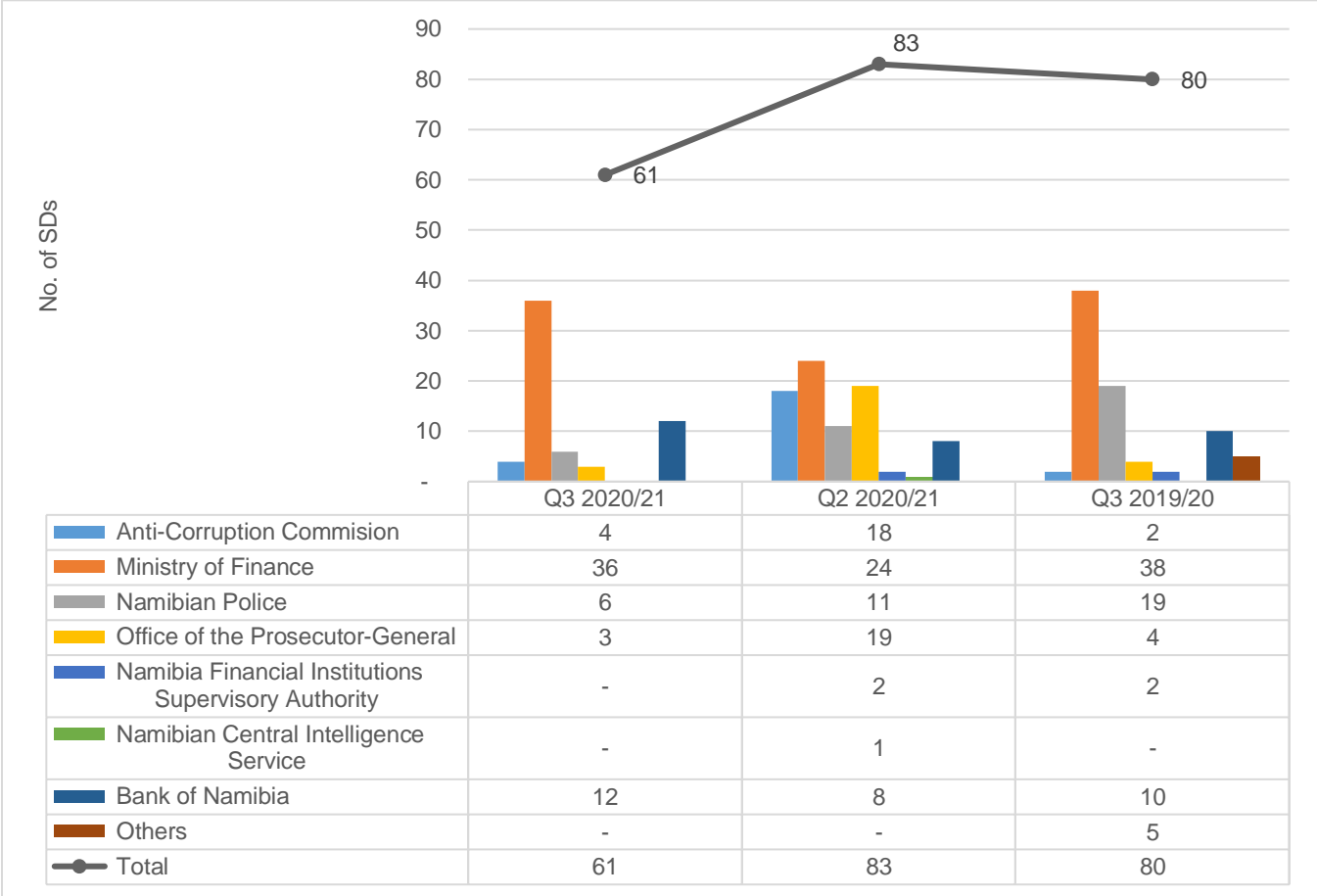
Namibia’s financial system is a component of the international financial system. Efforts to protect the local financial system from potential ML/TF/PF abuse are thus in concert with similar efforts at an international level. Domestic and international agencies and authorities coordinate their efforts and activities to advance such combatting efforts to protect the integrity and stability of the international financial system. This section presents a record of such international cooperation and coordination with international agencies and authorities for the period under review.

Chart 3: Incoming Requests: Domestic and International



Incoming requests seek information/assistance from stakeholders in the combating sphere. Such can be from local or international stakeholders. Chart 3 above presents a summary of the number of Incoming Requests for both Domestic (IRD) and International (IRI), as received by the FIC during the specified reporting quarters. The number of requests received totalled 17 IRDs and 1 IRI in the period under review.⁶

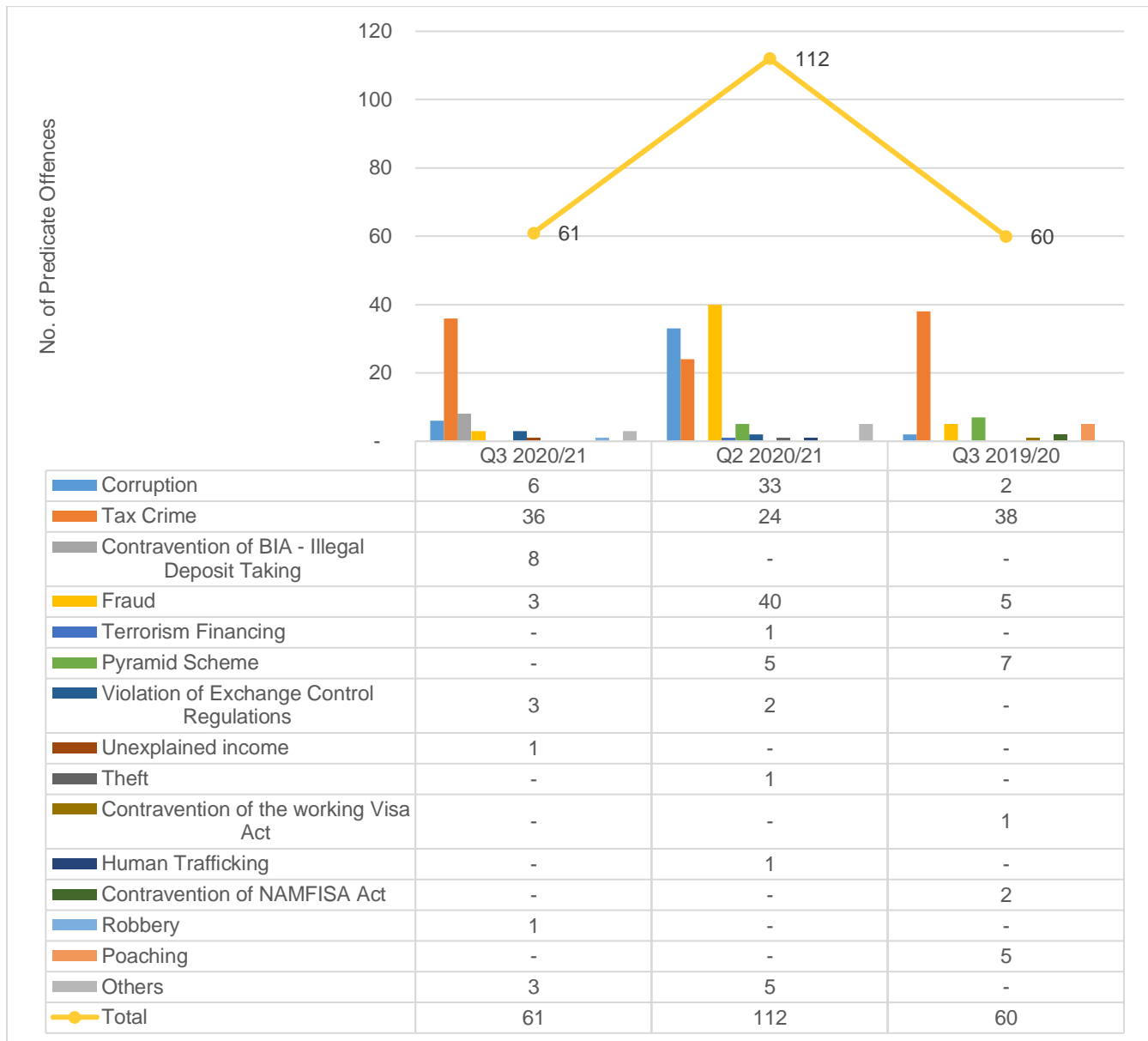
Chart 4: Spontaneous disclosures (SDs)



Spontaneous Disclosures are disclosures of information made by the FIC to other combatting agencies or authorities. In the reporting period, the FIC disseminated a total of 61 disclosures to Law Enforcement Agencies (LEAs). The number of disclosures decreased significantly when compared to the 83 disclosed during the previous quarter. The Ministry of Finance received the highest number of disclosures in the period under review (a total of 36 disclosures), followed by the Bank of Namibia and the Namibian Police who received 12 and 6 disclosures, respectively.

⁶ FIC will increase existing efforts to further outline to Competent Authorities Nationally, the value addition FIC’s output can have to existing cases under investigation by such authorities, and or by informing them (Domestic and International) of criminal activities which would otherwise have gone unnoticed.

Chart 5: Potential Predicate Offences

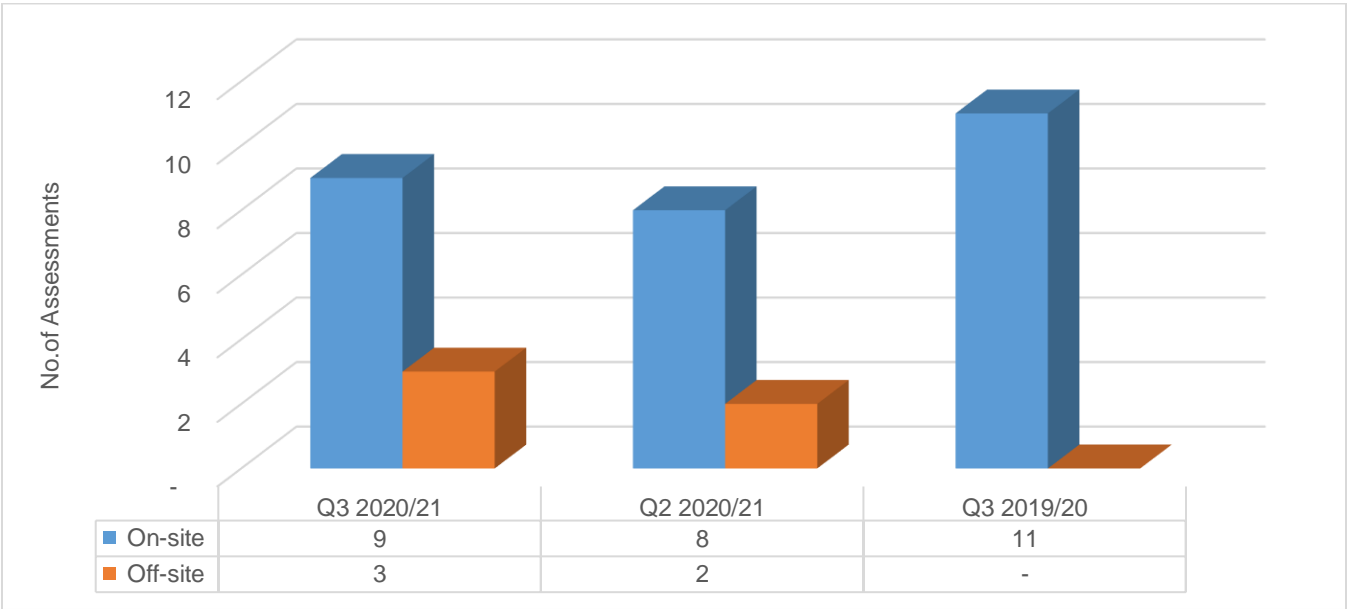


Overall, there was a total of 61 potential predicate offences recorded during the period under review. Potential tax related offences featured as the leading potential predicate offence, followed by contravention of BIA - illegal deposit taking with 36 and 8 potential cases, respectively.

4.4 FIA COMPLIANCE ASSESSMENTS

Continuous efforts are made to increase FIA supervisory coverage, as well as enhance the quality of overall supervisory activities in the regulated populace. The object of such is to enhance ML/TF/PF risk management controls at institutional level. Only the Namibia Financial Institutions Supervisory Authority (NAMFISA) and the FIC are designated as supervisory bodies in terms of the FIA. All other sectors not supervised by NAMFISA for FIA compliance purposes are directly supervised by the FIC. The FIC conducts on-site and off-site FIA compliance assessments (inspections). These are undertaken to gain assurance on the level of effectiveness of controls implemented in different sectors to mitigate ML/TF/PF risks. The FIC’s Compliance Monitoring and Supervision Division employs a risk-based approach in its supervisory activities. Such approach informs the nature, frequency and extent of relevant supervisory activities employed.

Chart 6: Compliance assessments



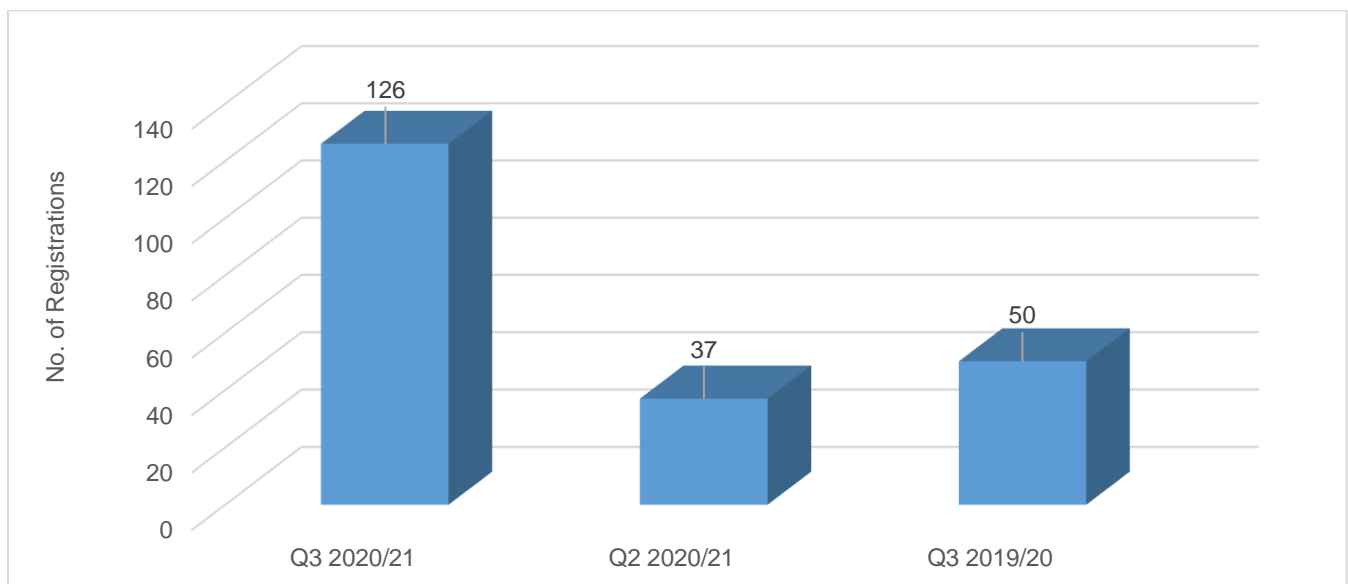
During the third quarter of 2020/21, the FIC conducted 9 on-site and 3 off-site assessment activities. Owing to the changed working conditions, including social distancing and related control measures emanating from the COVID-19, many planned compliance assessment activities have ceased until prevailing conditions are suitable. The focus on NRA activities also meant reduced tie for other supervisory activities.

Table 3: Compliance assessment coverage of AIs and RIs as at 31 December 2020

| Sectors | Registered Institutions | FIC Risk Rating | No. of FIC assessments conducted | Percentage coverage |
|--|-------------------------|-----------------|----------------------------------|---------------------|
| Accountants and Auditors | 83 | Low | 8 | 10% |
| ADLAs | 10 | High | 10 | 100% |
| Auctioneers | 22 | Low | 17 | 77% |
| Banks | 10 | High | 10 | 100% |
| Casinos | 10 | Medium | 5 | 50% |
| Customs Clearing and Forwarding Agents | 142 | High | 15 | 11% |
| Dealers in precious metals and stones | 8 | Low | 4 | 50% |
| Legal Practitioners | 249 | High | 168 | 67% |
| Lendings | 9 | Medium | 6 | 67% |
| Money and Value Transfers (MVT's) | 7 | Low | 3 | 43% |
| Motor Vehicles Dealers | 109 | Medium | 72 | 66% |
| Real Estate Agencies | 1004 | Medium | 119 | 12% |
| Trust and Company Service Providers | 41 | Low | 3 | 7% |
| Total | 1704 | | 440 | |

As at 31 December 2020, the FIC had a total of 1,704 active entities registered as Accountable and Reporting Institutions. It is worth noting that the above table only covered the AI's and RI's supervised by the FIC, excluding institutions covered by NAMFISA. According to the supervisory vulnerability assessment outcomes, the ADLAs, Banks, Customs Clearing and Forwarding Agencies and Legal Practitioners are considered to be amongst the high-risk sectors for potential ML.

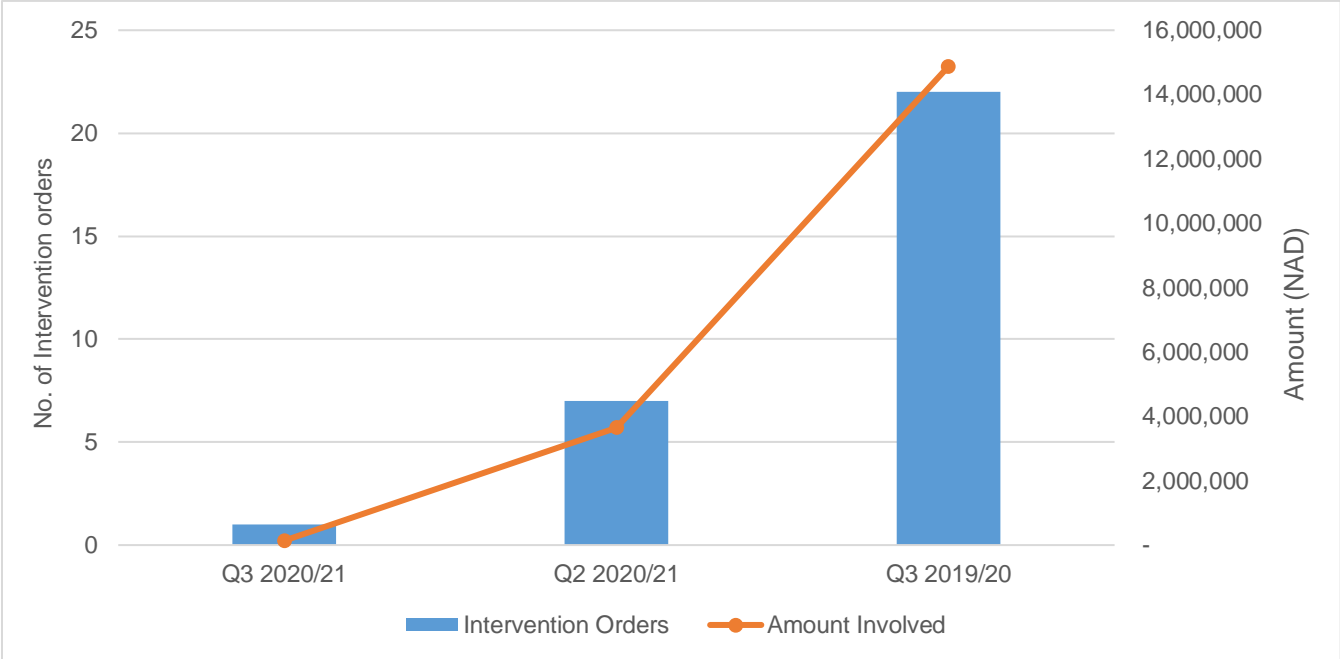
Chart 7: Registrations



It is critical to note that relevant institutions should register with the FIC as per the FIA. Such is essential as it enhances supervisory activities and thus FIA compliance. During the period under review, the FIC managed to register a total of 126 institutions.

5. PARTNER AGENCIES: STATISTICS

Chart 8: Asset Recovery (Intervention Orders)



The above chart shows the number of intervention orders issued by the FIC as well as the monetary amounts involved. During the period under review, only 1 intervention/restriction order was issued involving a total amount of NAD 138,888.00. In monetary terms, the highest amounts restricted in terms of the FIA over the three quarters was NAD 14,877,325.00 recorded during the third quarter of 2019/20.

It is important to note that the Receiver of Revenue’s Tax Assessment outcomes emanating from the FIC’s Spontaneous Disclosures were not included in this report. Additionally, preservations and forfeitures as a result of such disclosures disseminated by the FIC to the Office of the Prosecutor General were also not included in this report. The amounts provided herein thus only speaks to data in the domain of the FIC.

6. CONCLUSION

To our esteemed stakeholders, it is essential to ensure that reports submitted to the FIC are relevant, timely and meet quality expectations. It is only through these reports that useful and meaningful intelligence can be produced for further use by Law Enforcement and relevant bodies.

The report presents FIC observations on areas that may need improvement. The objective of this report is to enable stakeholders to note areas that may need improvement and implement measures to positively impact the national Anti-Money Laundering, Combatting the Financing of Terrorism and Proliferation framework.

A handwritten signature in black ink, appearing to read "P.P. K. [unclear]". The signature is stylized and somewhat illegible.

L. DUNN

DIRECTOR: FINANCIAL INTELLIGENCE CENTRE